



MISSISSIPPI FARM BUREAU[®] FEDERATION
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**Written Testimony Submitted to the House Agriculture Committee's
Public Hearing concerning the 2012 Farm Bill**

By David Waide, President

Mississippi Farm Bureau Federation

May 15, 2010

Members of the House Agriculture Committee, thank you for the opportunity to appear this morning before the Committee to discuss the 2012 Farm Bill. I am David Waide, President of the Mississippi Farm Bureau[®] Federation (MFBF). Farm Bureau is the largest general farm organization in the country, with members who produce everything from catfish to peanuts. Today, my testimony will primarily focus on some of the shortcomings of the Federal Crop Insurance programs in Mississippi and the southeast region. Recently, I have heard much discussion out of Washington, pushing for downsizing the direct payment program in favor of expansion of the crop insurance programs. I am adamantly opposed to that idea, and I firmly believe the direct payment program serves as a consumer subsidy to food products and only contributes to the abundance of our food supply in this country.

One of MFBF's priorities is to improve the cost effectiveness of the risk management tools available to producers across agriculture. Unfortunately, we believe the current crop insurance products available in the southeast region do not provide adequate risk protection.

Fortunately, the diversity of my farming operation enables me to offset my risk without participation in the federal crop insurance programs. Such diversity is uncommon in Mississippi, and many MFBF members cannot feasibly distribute risk in an effective manner. Therefore, they choose to participate in the federal programs. However, a comparatively high portion of Mississippi producers only buy catastrophic coverage (CAT), which is virtually fully subsidized, only requiring the payment of administrative fees. In Mississippi, 94.5% of corn acres are insured; of those, 35% are only insured by CAT coverage. In Iowa, 88% of corn acres are insured; of those, just 2%

are insured by CAT only. Similarly, for soybeans, of the insured acres in Mississippi, 27% are CAT- only insured compared to 2% in Iowa. I understand that the intricacies of the various crop insurance programs are complex and producer education may be an issue, but obviously a significant amount of Mississippi producers do not find the Actual Production History (APH) and Crop Revenue Coverage (CRC) insurance products competitive when compared to the participation rates in the Midwest region.

Additionally, we encourage continued producer education of risk management alternatives, efforts to refine existing risk management tools, and the development of new crop insurance and other risk management products. We believe all producers should have access to crop insurance programs and policies. In the following, I will briefly address a few of the issues that have been communicated to me by producers in Mississippi.

I. Inequitable Yield Calculations

The farmer's actual production history (APH) determines the grower's premium rate as well as the grower's yield guarantee. Farmers document their APH in a simple average of 4-10 years of historical yields for the insured unit. Farmers who lack four years of yield records can still get crop insurance by using a Transitional or T-Yield, which is based on the county's 10-year average.

Today, due to significant technological advances, producers in the southeast have been able to improve yields drastically over what was possible just 10 years ago. These technological advancements are not quantified in the 4-10 averages used to calculate APH. Producers in Mississippi and other southeastern states have the ability to plant a

much greater diversity of crops than producers in the Midwest. This diversification confers some inherent advantages in terms of risk management; however, it also presents some challenges related to the crop insurance program. For example, with a relatively large number of crops available for rotation on a given farm it may take several more years to establish a complete APH for any particular crop. Moreover, a producer wanting to plant a new crop on a particular farm will lack any yield history for determining APH. Producers who lack a 4-year APH can only buy crop insurance based on the T-yield guarantee. T-yields are not calculated considering the technological advances that have substantially increased yields in the South in recent years. Therefore, many of our producers are forced to buy insurance based on yield guarantees well below their reasonable production expectations and sometimes below their break-even yield, depending upon the yield guarantee they can afford.

Even when a producer has a long track record of good production, one or two failure/disaster years will drop his APH to levels that have little relation to his typical production level. Each year of crop failure reduces the producer's APH, eroding the safety net provided by crop insurance, and limiting the amount of insurance he can buy. The bottom line is this - a producer's 75% yield guarantee purchased using the APH or T-yield formulas will only cover 60% or less of his true expected yield.

II. Perceived Lack of Uniformity in Loss of Quality Adjustments

Many Mississippi crops are subject to Special Provision of Insurance (SPOI) quality adjustments. Quality adjustment is a process that reduces the quantity of mature production when it meets certain requirements provided in the crop provisions. This

adjusted production to count is used for indemnity and actual production history purposes. Discount factors and additional procedures for quality adjustment are listed in the specific special provisions statements for each county/crop, and are governed by the Loss Adjustment Manual (LAM) published through the Risk Management Agency (RMA).

While RMA sets the standards in LAM, the individual Approved Insurance Providers (AIPs) actually enforce the LAM standards for quality loss. Most of the complaints I have encountered stem from the procedures for obtaining “zero market value production” which entitles the producer to maximum payment under the terms of their insurance. Upon filing a potential “zero market value production” claim, the AIP does an on-site inspection and makes a determination whether the crop is salvageable. If the AIP thinks the crop is salvageable, the farmer must harvest the crop and make attempts to sell the product on the salvage market. If the AIP does not think the crop is salvageable, the farmer must simply destroy the crop to receive his maximum payout.

Substantial costs and labor are required to harvest a crop, and even more so for a damaged crop. Consider this scenario. Farmer A’s AIP decides his crop is salvageable, so if he wants to receive maximum payout, he must harvest and “make every reasonable effort” to sell the crop. Farmer A’s neighbor, Farmer B, has very similar crop damage, and his AIP determines his crop is not salvageable, and tells Farmer B to destroy the crop to collect maximum payout.

In the above real scenario, Farmer B received his maximum payout without the added labor, fuel, and equipment wear and tear costs which were endured by Farmer A. It further reasons that Farmer A is frustrated and angry because he worked 24 days in

January harvesting a worthless crop because his AIP determined it *might* be salvageable.

We urge RMA to remove the mandatory harvest requirements from Federal Crop Insurance claim provisions, and adjust crops at or below harvest cost to be considered a zero level of production. Additionally, we believe tremendous strides could be made by simplifying application, reporting and claim procedures by promoting flexibility in the process and communication between agents, adjusters, FSA, and others.

III. A Lack of Cost Effective Insurance Products are Available for Many Commodities

We believe crop insurance should be available to provide producers of all crops options for various insurance products that accurately reflect individual risk considerations when making crop insurance purchasing decisions.

NAP Program

When insurance coverage products are not available in a county under a Federal Crop Insurance policy, the producer's only option is to enroll in the Noninsured Crop Disaster Assistance Program (NAP). Administered by the Farm Service Agency (FSA), this program can provide financial assistance to producers when natural disasters occur.

In Mississippi, many of our farmers produce crops that are otherwise uninsurable without NAP. No insurance products are offered for sweet potatoes, watermelons, tomatoes, sweet corn, rye grass, and many others, all of which significantly contribute to the wonderful agricultural diversity in Mississippi. It is estimated that 75% of sweet

potato acres in Mississippi are insured by NAP alone. The program protects against yield losses and prevented planting due to catastrophic events such as excessive rain, floods, etc. The cost of NAP insurance is low, but so is the liability protection it offers. A farmer collects nothing unless his expected yield (based on APH) drops below 50% or he is prevented from planting more than 35% of the insured acreage. So a farmer may lose 49% percent of his expected yield, and he will not receive any indemnity. Farming is a business, and any business that loses 49% of their yearly revenues would be in dire financial straits without an infusion of capital. NAP simply is unable to provide enough coverage to meet our producers' needs. Coverage of 50% may not be substantial enough for producers in cases of complete loss. Imagine any manufacturer losing 50% of their product, while maintaining the same overhead and fixed costs as though they produced at 100%. How long would they be able to conduct business in your community?

In summation, we hope FSA will completely review the NAP program elements including the applicable dates, guarantees, premium payments, and prices related to the program, in order to better serve the needs of Mississippi farmers.

SURE Program

The largest of the new farm disaster programs from the 2008 Farm Bill, the Supplemental Revenue Assistance Payments Program (SURE), was designed to compensate eligible producers for a portion of crop losses that are not eligible for an indemnity payment under the crop insurance program (i.e., the policy deductible), through a revenue approach. To be eligible for payment, a producer must be in or contiguous to a county that has been declared a disaster area by the Secretary of

Agriculture, or have an overall 50% farm loss. The producer also must at least have CAT coverage for insurable crops or NAP for uninsurable crops.

Many Mississippi producers have expressed concern that payments for crop losses under SURE cannot be determined until after the marketing year ends, since a portion of the disaster payment formula is based on the average market year prices. For example, SURE payments from the 2008 crop cycle finally made their way to our farmers in early 2010. Waiting over a year for disaster payments after such massive losses of revenue is assuring bankruptcy to many in the farming community.

The SURE program, as designed and implemented, is largely a supplement to crop insurance coverage. The linkages between SURE and crop insurance are such that SURE does little to address perceived deficiencies in the crop insurance program and may actually magnify them by providing further incentives for buy-up coverage in areas where buy-up coverage is already being purchased. If enhancing crop insurance is the goal, it should be more efficient and more effective to work directly on the crop insurance program itself.

IV. Conclusion

In the United States, we have the safest, most affordable, and most abundant food supply in the world. The southeast region produces food in a diversity and variety that is unmatched by other parts of the country. Farming, like any other business, is compounded by financial risk. Unlike other businesses, the majority of the risk in farming is blind once the crop has been planted, fully exposing the farmer to Mother Nature's wrath, with his only defense being effective risk management. In the past few years, this Government has doled out numerous bailouts and incentive plans to big

business in an effort keep the struggling economy afloat. Many of our farmers are going bankrupt, but they do not want a handout or a bailout. They do need a little help in the form of risk management products that can help keep their operations viable through a bad crop cycle. They help feed your family; let's help them feed their own.

Thank you again for the opportunity to speak this morning, and I am happy to answer any questions you might have.

DAVID WHITMIRE WAIDE

David Waide of West Point, Mississippi, was elected president of the Mississippi Farm Bureau December 9, 1996.

Waide, a Clay County row crop and cattle producer who had served as the Federation's North Mississippi Vice President since 1994, is the organization's 8th president.

The former Clay County supervisor has been active in Farm Bureau and other ag-related organizations much of his adult life. He was named to the Clay County Farm Bureau Board of Directors in 1969. He served as Clay County Farm Bureau president for 15 years and on the Mississippi Farm Bureau Federation Board of Directors for four years.

David has served as a director for the Federal Land Bank of Houston, as a director of the Mississippi Soil & Water Commission, as a director of the Clay County Soil & Water Commission, as chairman of the Federal Intermediate Credit Bank, and as a director of the Clay County ASCS Committee.

Awards received by Waide include the Presidential Citation by the Mississippi Association of County Agricultural Agents, and 1999 Citizen of the Year in Clay County, Mississippi.

He is active in the Siloam Baptist Church in West Point and has been involved in the Clay County Ag Club.

David and his wife Sandra have two children, Whit and Linda Bess.

Waide also serves as president of:

Mississippi Farm Bureau Casualty Insurance Company
Mississippi Farm Bureau Service Co., Inc.
Mississippi Farm Bureau Investment Corporation
Mississippi Farm Bureau Holding Corporation

and on the Boards of Directors of:

American Farm Bureau Federation
Southern Farm Bureau Life Insurance Company
Southern Farm Bureau Casualty Insurance Company

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

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1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

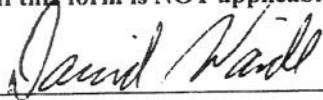
Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: USDA FARM SERVICE AGENCY Amount: \$651,982.56 (Rental contracts)

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Please check here if this form is NOT applicable to you: _____

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